

STATEWIDE CAPITAL OUTLAY**EQUALIZATION**

2008 GENERAL SESSION

STATE OF UTAH

LONG TITLE**General Description:**

This bill enacts various changes related to school capital outlay funding.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ requires school districts to impose a basic capital outlay levy that is equalized statewide;
- ▶ allocates funds for school capital outlay;
- ▶ changes the certified tax rate calculation for a school district imposing the basic capital outlay levy for purposes of truth in taxation;
- ▶ appropriates money to the Capital Outlay Foundation Program; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

This bill appropriates as an ongoing appropriation subject to future budget constraints:

- ▶ \$74,142,000 from the Capital Outlay Equalization Fund for fiscal year 2009-10, to the State Board of Education; and
- ▶ \$24,358,000 from the Uniform School Fund for fiscal year 2009-10, to the State Board of Education

Other Special Clauses:

This bill takes effect on January 1, 2009.

Utah Code Sections Affected:

ENACTS:

53A-21-101.5, Utah Code Annotated 1953

53A-21-201, Utah Code Annotated 1953

53A-21-202, Utah Code Annotated 1953

32 **53A-21-203**, Utah Code Annotated 1953

33 **53A-21-301**, Utah Code Annotated 1953

34 **59-2-924.2**, Utah Code Annotated 1953

35 REPEALS AND REENACTS:

36 **53A-21-103**, as last amended by Laws of Utah 2003, Chapter 320

37 REPEALS:

38 **53A-21-103.5**, as last amended by Laws of Utah 2005, Chapters 171 and 184

39

40 *Be it enacted by the Legislature of the state of Utah:*

41 Section 1. Section **53A-21-101.5** is enacted to read:

42 **53A-21-101.5. Definitions.**

43 As used in this part:

44 (1) "ADM" means the average daily membership of students.

45 (2) "Capital Outlay Foundation Program" means a program that provides a minimum
46 dollar generation guarantee, per ADM, for a school district that levies a combined capital levy
47 rate of .0024 per dollar of taxable value.

48 (3) "Combined capital levy rate" means a rate that includes the sum of the following
49 prior year property tax levies:

50 (a) capital outlay levy authorized in Section 53A-16-107;

51 (b) the portion of the 10% of basic levy described in Section 53A-17a-145 that is
52 budgeted for debt service or capital outlay;

53 (c) debt service levy authorized in Section 11-14-310; and

54 (d) voted capital outlay leeway authorized in Section 53A-16-110.

55 (4) "Derived valuation" means total school district actual property tax current
56 collections from April 1 through the following March 31, divided by the tax rates for the same
57 year.

58 (5) "Foundation guarantee level per ADM" means a minimum amount per ADM that a
59 school district's combined capital levy rate of .0024 per dollar of taxable value will generate
60 including the following:

61 (a) the revenue generated by the school district's combined capital levy rate; and

62 (b) the revenue distributed to the school district in accordance with Section

63 53A-21-103.

64 (6) "Qualifying school district" means a school district with a yield per ADM less than
65 the foundation guarantee level.

66 (7) "Yield per ADM" means:

67 (a) the product of:

68 (i) a school district's derived valuation; and

69 (ii) .0024; divided by

70 (b) the school district's prior year ADM.

71 Section 2. Section **53A-21-103** is repealed and reenacted to read:

72 **53A-21-103. Qualifications for participation in the foundation program --**
73 **Distribution of monies -- Distribution formulas.**

74 (1) For fiscal years beginning on or after July 1, 2009, the State Board of Education
75 shall determine the foundation guarantee level per ADM that fully allocates the funds
76 appropriated to the State Board of Education for distribution under this section.

77 (2) If a qualifying school district imposes a combined capital levy rate of at least .0024
78 per dollar of taxable value, the State Board of Education shall allocate to a qualifying school
79 district an amount equal to the product of the following:

80 (a) the qualifying school district's ADM; and

81 (b) an amount equal to the difference between the following:

82 (i) the foundation guarantee level per ADM for that fiscal year as determined in
83 accordance with Subsection (1); and

84 (ii) a school district's yield per ADM.

85 (3) If a qualifying school district imposes a combined capital levy rate less than .0024
86 per dollar of taxable value, the State Board of Education shall allocate to a qualifying school
87 district an amount equal to the product of the following:

88 (a) the qualifying school district's ADM;

89 (b) an amount equal to the difference between the following:

90 (i) the foundation guarantee level per ADM for that fiscal year as determined in
91 accordance with Subsection (1); and

92 (ii) a school district's yield per ADM; and

93 (c) a percentage equal to the school district's combined capital levy rate divided by

94 .0024.

95 (4) If a change in a school district's certified tax rate, calculated in accordance with
96 Section 59-2-924, is due to increases or decreases in the value of real property located within
97 the school district, the amount of capital foundation funds the school district would otherwise
98 be entitled to receive pursuant to this section may not be reduced as a consequence of the
99 changes to the school district's certified tax rate for a period of two tax years from the effective
100 date of any such change in the certified tax rate.

101 (5) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
102 State Board of Education may make rules to administer this section.

103 Section 3. Section **53A-21-201** is enacted to read:

104 **Part 2. School Facility Funding**

105 **53A-21-201. Definitions.**

106 As used in this part:

107 (1) "Adjusted allocation amount per student" means the product of:

108 (a) the base allocation amount per student; and

109 (b) the quotient of the prior year statewide net taxable value per enrolled student
110 divided by the prior year school district net taxable value per enrolled student.

111 (2) "Base allocation amount per student" means \$11,000 in 2009-10, adjusted in future
112 years by the percentage difference between the inflation index for the calendar year preceding
113 the calendar year in which the fiscal year begins and the inflation index for calendar year 2008.

114 (3) "Basic capital outlay increment" means the amount of revenue that equals the
115 difference between the following:

116 (a) the amount of revenue a school district would have received during a fiscal year
117 from the levy it imposed pursuant to Section 53A-21-202; and

118 (b) the amount of revenue the school district received during the same fiscal year from
119 the distribution described in Section 53A-21-203.

120 (4) "Combined capital levy rate" means a rate that includes the sum of the following
121 current year levies:

122 (a) capital outlay levy authorized in Section 53A-16-107;

123 (b) the portion of the 10% of basic levy described in Section 53A-17a-145 that is
124 budgeted for debt service or capital outlay;

(c) debt service levy authorized in Section 11-14-310; and

(d) voted capital outlay leeway authorized in Section 53A-16-110.

(5) "Contributing district" means a school district that in a fiscal year receives less revenue from the distribution described in Section 53A-21-203 than it would have received during the same fiscal year from imposing a levy of .0009 per dollar of taxable value.

(6) "Derived net taxable value" means the prior year total current school district property tax collections from April 1 through the following March 31, divided by a school district's total tax rate for the same year.

(7) "Fund" means the Capital Outlay Equalization Fund created by 53A-21-301.

(8) "Inflation index" means the annual producer price index for new school building construction published by the Bureau of Labor Statistics of the United States Department of Labor.

(9) "Qualifying school district" means a school district that levies a current year combined capital levy rate of at least .002400 per dollar of taxable value.

(10) "Rate reduction limitation increment" means the amount of revenue that equals the difference between the following:

(a) the amount of revenue that would have been generated by the levy necessary to fund the allocations described in Subsection 53A-21-203(1)(a); and

(b) the amount of revenue generated by a property tax rate of .0024 per dollar of taxable value.

(11) "Rate reduction limitation minimum levy" means the .0024 minimum combined capital levy rate a receiving district must impose to receive a distribution described in Subsection 53A-16-203.

(12) "Receiving district" means a school district that in a fiscal year receives more revenue from the allocation described in Section 53A-21-203 than it would have received during the same fiscal year from imposing a levy of .0009 per dollar of taxable value.

(13) "School district net taxable value per enrolled student" means the derived net taxable value in a school district divided by student enrollment in the district as of the same year's October 1 enrollment counts.

(14) "Statewide net taxable value per enrolled student" means the sum of the derived net taxable value for each school district in the state, divided by statewide school district

156 enrollment as of the same year's October 1 enrollment counts.

157 Section 4. Section **53A-21-202** is enacted to read:

158 **53A-21-202. Basic capital outlay tax rate.**

159 For taxable years beginning on or after January 1, 2009, a school district shall impose a
160 basic capital outlay tax rate of .0009 per dollar of taxable value.

161 Section 5. Section **53A-21-203** is enacted to read:

162 **53A-21-203. Capital outlay allocations -- Timing of distributions.**

163 (1) (a) Except as provided in Subsection (2), beginning in fiscal year 2009-10, the
164 Board of Education shall allocate funding quarterly to a qualifying school district in an amount
165 equal to the adjusted allocation amount per student multiplied by the average net enrollment
166 increase in the school district for the prior three years, based on the October 1 enrollment
167 counts.

168 (b) When a new school district is created or school district boundaries are adjusted, the
169 enrollment for each affected school district shall be based on school district enrollment for the
170 prior three years in schools located within that school district's newly created or adjusted
171 boundaries, based on October 1 enrollment counts.

172 (c) The Board of Education may not provide an allocation under this Subsection (1) to
173 a school district that does not have an average net enrollment increase for the prior three years.

174 (2) The Board of Education shall proportionately reduce the allocations from the
175 following to match the revenues received if the deposited revenues are less than the original
176 allocations:

177 (a) the Fund; and

178 (b) the Capital Outlay Foundation Program described in Section 53A-21-103.

179 (3) A contributing school district shall send an amount equal to the school district's
180 basic capital outlay increment to the Board of Education on or before the July 1 immediately
181 following the end of the taxable year in which the school district imposes a basic capital outlay
182 tax rate.

183 (4) The Board of Education shall:

184 (a) deposit the revenues described in Subsection (3) into the Fund; and

185 (b) distribute the revenues as required in Section 53A-21-203 on or before the
186 September 15 immediately following the July 1 described in Subsection (3).

Section 6. Section **53A-21-301** is enacted to read:

53A-21-301. Capital Outlay Equalization Fund -- Source of revenues -- Interest -- Unexpended revenues.

(1) There is created a restricted special revenue fund known as the Capital Outlay Equalization Fund.

(2) (a) The fund shall be funded by:

(i) revenues collected from the rate reduction limitation increment, as defined in Section 53A-21-201, of all receiving school districts;

(ii) revenues collected from the imposition of the basic capital outlay tax rate described in Section 53A-21-202; and

(iii) appropriations from the Legislature.

(b) Any interest earned on the fund shall be deposited into the fund.

(3) The Board of Education shall allocate and distribute monies deposited into the fund:

(a) as required under Section 53A-21-203; and

(b) for the Capital Outlay Foundation Program to be distributed in accordance with Section 53A-21-103.

(4) The monies shall be distributed quarterly to the school districts as required under Section 53A-21-203.

(5) A school district that receives a distribution in accordance with 53A-21-203 shall expend the distribution for capital outlay and debt service purposes.

(6) If after the Board of Education makes the distributions required by Section 53A-21-203 there are monies remaining in the fund for a fiscal year, the Board of Education shall for that fiscal year distribute those remaining monies proportionately to each school district in the same proportion as the distributions required by Section 53A-21-203.

Section 7. Section **59-2-924.2** is enacted to read:

59-2-924.2. Adjustment of the calculation of the certified tax rate for a school district imposing the basic capital outlay levy.

(1) As used in this section:

(a) "Basic capital outlay increment" means the amount of revenue that equals the difference between the following:

(i) the amount of revenue a school district would have received during a fiscal year from the levy it imposed pursuant to Section 53A-21-202; and

(ii) the amount of revenue the school district received during the same fiscal year from the distribution described in Section 53A-21-203.

(b) "Contributing school district" means a school district that in a fiscal year receives less revenue from the distribution described in Section 53A-21-203 than it would have received during the same fiscal year from the levy it imposed pursuant to Section 53A-21-202.

(c) "Capital outlay foundation increment" means the amount of revenue that equals the difference between the following:

(i) the amount of revenue a school district received from a distribution described in 53A-21-103 in fiscal year 2007-08; and

(ii) the amount of revenue a school district receives during a fiscal year from a distribution described in 53A-21-103.

(d) "Receiving school district" means a school district that in a fiscal year receives more revenue from the allocation described in Section 53A-21-203 than it would have received during the same fiscal year from the levy it imposed pursuant to Section 53A-21-202.

(2) A school district is exempt from the requirements of Section 59-2-918 and 59-2-919 if:

(a) the school district is a contributing school district; and

(b) increases its aggregate certified tax rate only by an amount that would generate the same amount of revenue as that district's:

(i) basic capital outlay increment; and

(ii) capital outlay foundation increment.

(3) (a) A receiving school district shall decrease its aggregate certified tax rate by an amount of revenue equal to the following:

(i) the school district's basic capital outlay increment; and

(ii) the school district's capital outlay foundation increment.

(b) If the receiving school district does not decrease its aggregate certified tax rate pursuant to Subsection (3)(a), the school district is subject to the requirements of Section 59-2-918 and 59-2-919.

Section 8. **Appropriation.**

249 (1) As an ongoing appropriation subject to future budget constraints:
250 (a) there is appropriated \$74,142,000 from the Capital Outlay Equalization Fund for
251 fiscal year 2009-10, to the State Board of Education for capital outlay programs created in
252 53A-21-102; and
253 (b) there is appropriated \$24,358,000 from the Uniform School Fund for fiscal year
254 2009-10, to the State Board of Education for capital outlay programs created in 53A-21-102.
255 (2) The State Board of Education shall distribute the monies described in Subsection
256 (1) in accordance with the Capital Outlay Foundation Program described in Section
257 53A-21-103.
258 Section 9. **Repealer.**
259 This bill repeals:
260 Section **53A-21-103.5, Qualifications for participation in the Enrollment Growth**
261 **Program -- State Board of Education rules -- Distribution formula.**
262 Section 10. **Effective date.**
263 This bill takes effect on January 1, 2009.